रजिस्ट्री सं० डी०एल०-33004 / 2000 REGISTERED NO. DL-33004/2000

भारत का राजपत्र
The Gazette of India

असाधारण
EXTRAORDINARY
भाग II — खण्ड 2
PART II — Section 2
प्राधिकार से प्रकाशित
PUBLISHED BY AUTHORITY

सं० 63] नई दिल्ली, बुधवार, दिसम्बर 20, 2000 / अग्रहायण 29, 1922
No. 63] NEW DELHI, WEDNESDAY, DECEMBER 20, 2000 / AGRAHAYANA 29, 1922

इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation.

LOK SABHA

The following Bill was introduced in Lok Sabha on 20-12-2000.

BILL NO. 220 OF 2000

A Bill to provide for the responsibility of the Central Government to ensure inter-generational equity in fiscal management and long-term macro-economic stability by achieving sufficient revenue surplus, eliminating fiscal deficit and removing fiscal impediments in the effective conduct of monetary policy and prudential debt management consistent with fiscal sustainability through limits on the Central Government borrowings, debt and deficits, greater transparency in fiscal operations of the Central Government and conducting fiscal policy in a medium-term framework and for matters connected therewith or incidental thereto.

BE it enacted by Parliament in the Fifty-first Year of the Republic of India as follows:—

Short title, extent and commencement

1. (*1*) This Act may be called the Fiscal Responsibility and Budget Management Act, 2000.

(*2*) It extends to the whole of India.

(*3*) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint in this behalf.

Definitions

2. In this Act, unless the context otherwise requires,—

(*a*) "annual budget" means the annual financial statement laid before both the Houses of Parliament under article 112 of the Constitution;

(*b*) "fiscal deficit" means the excess of—

(*i*) total disbursements from the Consolidated Fund of India (excluding repayment of debt) over total receipts into the Fund, excluding the debt receipts, during a financial year; or

(*ii*) total expenditure from the Consolidated Fund of India (including loans but excluding repayment of debt) over tax and non-tax revenue receipts (including external grants) and non-debt capital receipts during a financial year which represents the borrowing requirements, net of repayment of debt, of the Central Government during the financial year;

(*c*) "fiscal indicators" means the measures such as numerical ceilings and proportions to gross domestic product, as may be prescribed, for evaluation of the fiscal position of the Central Government;

(*d*) "Reserve Bank" means the Reserve Bank of India constituted under sub-section (*1*) of section 3 of the Reserve Bank of India Act, 1934;

(*e*) "revenue deficit" means the difference between revenue expenditure and revenue receipts which indicates increase in liabilities of the Central Government without corresponding increase in assets of that Government;

(*f*) "prescribed" means prescribed by rules made under this Act;

(*g*) "total liabilities" means the liabilities under the Consolidated Fund of India and the public account of India.

Fiscal policy statements to be laid before Parliament

3. (*1*) The Central Government shall lay in each financial year before both the Houses of Parliament the following statements of fiscal policy alongwith the annual budget, namely:—

(*a*) the Medium-term Fiscal Policy Statement;

(*b*) the Fiscal Policy Strategy Statement;

(*c*) the Macro-economic Framework Statement.

(2) The Medium-term Fiscal Policy Statement shall set forth a three-year rolling target for prescribed fiscal indicators with specification of underlying assumptions.

(*3*) In particular and without prejudice to the provisions contained in sub-section (2), the Medium-term Fiscal Policy Statement shall include an assessment of sustainability relating to—

(*i*) the balance between revenue receipts and revenue expenditures;

(*ii*) the use of capital receipts including market borrowings for generating productive assets.

(*4*) The Fiscal Policy Strategy Statement shall, *inter alia*, contain—

(*a*) the policies of the Central Government for the financial year relating to taxation, expenditure, market borrowings and other liabilities, lending and investments, pricing of administered goods and services, securities and description of other activities, such as, underwriting and guarantees which have potential budgetary implications;

(*b*) the strategic priorities of the Central Government for the ensuing financial year in the fiscal area;

(*c*) the key fiscal measures and rationale for any major deviation in fiscal measures pertaining to taxation, subsidy, expenditure, administered pricing and borrowings;

(*d*) an evaluation as to how the current policies of the Central Government are in conformity with the fiscal management principles set out in section 4 and the objectives set out in the Medium-term Fiscal Policy Statement.

(*5*) The Medium-term Fiscal Policy Statement, the Fiscal Policy Strategy Statement and the Macro-economic Framework Statement referred to in sub-section (*1*) shall be in such form as may be prescribed.

Fiscal Management principles.

4. (*1*) The Central Government shall take appropriate measures to eliminate the revenue deficit and fiscal deficit and build up adequate revenue surplus.

(2) In particular, and without prejudice to the generality of the foregoing provision, the Central Government shall—

(*a*) reduce revenue deficit by an amount equivalent to one-half per cent. or more of the estimated gross domestic product at the end of each financial year beginning on the 1st day of April, 2001;

(*b*) reduce revenue deficit to nil within a period of five financial years beginning from the initial financial year on the 1st day of April, 2001 and ending on the 31st day of March, 2006;

(*c*) build up surplus amount of revenue and utilise such amount for discharging liabilities in excess of assets;

(*d*) reduce fiscal deficit by an amount equivalent to one-half per cent. or more of the estimated gross domestic product at the end of each financial year beginning on the 1st day of April, 2001;

(*e*) reduce fiscal deficit for a financial year to not more than two per cent. of the estimated gross domestic product for that year, within a period of five financial years beginning from the initial financial year on the 1st day of April, 2001 and ending on the 31st day of March, 2006;

(*f*) not give guarantee for any amount exceeding one-half per cent. of the estimated gross domestic product in any financial year;

(*g*) ensure within a period of ten financial years, beginning from the initial financial year on the 1st day of April, 2001, and ending on the 31st day of March, 2011, that the total liabilities (including external debt at current exchange rate) at the end of a financial year, do not exceed fifty per cent. of the estimated gross domestic product for that year:

Provided that revenue deficit and fiscal deficit may exceed the limits specified under this sub-section due to ground or grounds of unforeseen demands on the finances of the Central Government due to national security or national calamity:

Provided further that the ground or grounds specified in the first proviso shall be placed before both Houses of Parliament, as soon as may be, after such deficit amount exceeded the aforesaid limits.

Borrowing from Reserve Bank

5. (*1*) The Central Government shall not borrow from the Reserve Bank.

(2) Notwithstanding anything contained in sub-section (*1*), the Central Government may borrow from the Reserve Bank by way of advances to meet temporary excess of cash disbursement over cash receipts during any financial year in accordance with the agreements which may be entered into by that Government with the Reserve Bank:

Provided that any advances made by the Reserve Bank to meet temporary excess cash disbursement over cash receipts in any financial year shall be repayable in accordance with the provisions contained in sub-section (*5*) of section 17 of the Reserve Bank of India Act, 1934.

2 of 1934.

(*3*) Notwithstanding anything contained in sub-section (*1*), the Reserve Bank may subscribe to the primary issues of the Central Government securities during the financial year beginning on the 1st day of April, 2001 and subsequent two financial years.

(*4*) Notwithstanding anything contained in sub-section (*1*), the Reserve Bank may buy and sell the Central Government securities in the secondary market.

Measures for fiscal transparency

6. (*1*) The Central Government shall take suitable measures to ensure greater transparency in its fiscal operations in public interest and minimise as far as practicable, secrecy in the preparation of the annual budget.

(*2*) In particular, and without prejudice to the generality of the foregoing provision, the Central Government shall, at the time of presentation of the annual budget, disclose in a statement in the form as may be prescribed,—

(*a*) the significant changes in the accounting standards, policies and practices affecting or likely to affect the computation of prescribed fiscal indicators;

(*b*) as far as practicable, and consistent with protection of public interest, the contingent liabilities created by way of guarantees including guarantees to finance exchange risk on any transactions, all claims and commitments made by the Central Government having potential budgetary implications, including revenue demands raised but not realised and liability in respect of major works and contracts.

Measures to enforce compliance.

7. (*1*) The Minister incharge of the Ministry of Finance, shall review, every quarter, the trends in receipts and expenditure in relation to the budget and place before both the Houses of Parliament the outcome of such reviews.

(2) Whenever there is either shortfall in revenue or excess of expenditure over pre-specified levels during any period in a financial year, the Central Government shall proportionately curtail the sums authorised to be paid and applied from and out of the Consolidated Fund of India under any Act to provide for the appropriation of such sums:

Provided that nothing in this sub-section shall apply to the expenditure charged on the Consolidated Fund of India under clause (*3*) of article 112 of the Constitution.

(*3*) The Minister incharge of the Ministry of Finance, shall make a statement in both the Houses of Parliament explaining—

(*a*) any deviation in meeting the obligations cast on the Central Government under this Act;

(*b*) whether such deviation is substantial and relates to the actual or the potential budgetary outcomes; and

(*c*) the remedial measures the Central Government proposes to take.

Power to make rules

8. (*1*) The Central Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

(*a*) the fiscal indicators to be prescribed for the purpose of sub-section (*2*) of section 3 and clause (*a*) of sub-section (2) of section 6;

(*b*) the forms of the Medium-term Fiscal Policy Statement, Fiscal Policy Strategy Statement and Macro-economic Frame Work Statement referred to in sub-section (*5*) of section 3;

(*c*) the form of statement under sub-section (2) of section 6; and

(*d*) any other matter which is required to be, or may be, prescribed.

Rules to be laid before each House of Parliament.

9. Every rule made under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if,

before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

Protection of action taken in good faith.

10. No suit, prosecution or other legal proceedings shall lie against the Central Government or any officer of the Central Government for anything which is in good faith done or intended to be done under this Act or the rules made thereunder.

Application of other laws not barred

11. The provisions of this Act shall be in addition to, and not in derogation of, the provisions of any other law for the time being in force.

Power to remove difficulties.

12. (*1*) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Act as may appear to be necessary for removing the difficulty:

Provided that no order shall be made under this section after the expiry of two years from the commencement of this Act.

(2) Every order made under this section shall be laid, as soon as may be after it is made, before each House of Parliament.

STATEMENT OF OBJECTS AND REASONS

The total liabilities of the Central Government are about Rs. 12,00,000 crores, being six times its current annual revenue, to which over Rs. 1,00,000 crores are being added every year with annual interest of about Rs. 1,00,000 crores thereon. The interest payments constitute about one-third of the Central Government's total expenditure and pre-empt nearly half of its annual revenue. The Central Government is financing its current expenditure through its borrowings although the fiscal discipline requires that the borrowings be limited only to productive investments. There have been revenue deficits consistently for the last twenty years. A long history of high fiscal deficits has left a legacy of huge public debt and interest burden. The accumulated burden of debt incurred in the past has been increasingly constraining the Central Government's maneuverability in fiscal management. The situation has deteriorated to such an extent that out of every three rupees expended by the Central Government, about two rupees come from its own resources and one rupee from the borrowed funds Thus, the incidence of two-thirds of the Central Government's expenditure falls on the present generation and one-third on the future generations. The issue of inter-generational equity has, therefore, to be addressed without delay.

2. The fiscal stress manifests itself in several ways and has adverse consequences on the economy. The debt service obligations not only crowd out the consumption expenditure of the Central Government but also constrain its ability to take up new capital investment from budget. Further, high fiscal deficit leads to high real interest rates, which hurt the borrowers. These have adverse effect on economic growth. Reduction in the Central Government's expenditure and reduced level of its borrowings will result in higher availability of bank credit to the private and public sectors for economic development.

3. The finances of the Central Government are required to be so managed that the fiscal situation becomes sustainable and conducive to macro-economic stability and economic growth. This alone will permit the Central Government to focus adequate attention on the much needed intervention in social sector programmes and other plans.

4. The Public Accounts Committee, the Estimates Committee, the Comptroller and Auditor-General of India and the Reserve Bank of India have repeatedly recommended to the Central Government to enact a legislation to control the Central Government's borrowings, which was also emphasized in the constituent Assembly. In this connection, it is pertinent to recall the debate in the constituent Assembly on the issue of legislative control on the Government's borrowing power. The Hon'ble Dr. B. R. Ambedkar, while commenting on draft article 268 (corresponding to present article 292 of the Constitution) in the constituent Assembly observed as follows:—

> *"This article specifically says that the borrowing power of the executive shall be subject to such limitations as Parliament may by law prescribe. If Parliament does not make a law, it is certainly the fault of Parliament and I should have thought it very difficult to imagine any future Parliament which will not pay sufficient or serious attention to this matter and enact a law. Under the article 268, I even concede that there might be an Annual Debt Act made by Parliament prescribing or limiting the power of the executive as to how much they can borrow within that year. I therefore do not see what more is wanted by those who expressed their dissent from the provisions of article 268. It is of course a different matter for consideration whether we should have a further provision limiting the power of the Parliament to pledge the credit of the country. It seems to me that even that matter may be left to Parliament because it will be free for Parliament to say that borrowing shall not be done on the pledging of certain resources of the country. I do not see how this article prevents Parliament from putting upon itself the limitations with regard to the guarantees that may be given by Parliament for the*

ensurement of these loans or borrowings. I therefore think that from all points of view this article 268 as it stands is sufficient to cover all contingencies and I have no doubt about it that, as my friend Mr. Ananthasayanam Ayyangar said, we hope that Parliament will take this matter seriously and keep on enacting laws so as to limit the borrowing authority of the Union, — I go further and say that I not only hope but I expect that Parliament will discharge its duties under this article.".

5. In view of the facts and circumstances mentioned in the preceding paragraphs, while presenting the Budget for the year 2000-2001, it was announced that the Central Government intended to bring necessary legislative proposals before the House during the course of the year for setting up of a strong institutional mechanism to promote overall fiscal prudence.

6. The Central Government has, therefore, decided to enact the proposed legislation to provide for the responsibility of the Central Government to ensure inter-generational equity in fiscal management and long-term macro-economic stability by achieving sufficient revenue surplus, eliminating fiscal deficit and removing fiscal impediments in the effective conduct of monetary policy and prudential debt management, consistent with fiscal sustainability, through limits on the Central Government borrowings, debts and deficits, greater transparency in fiscal operations of the Central Government and conducting fiscal policy in a medium-term framework and for matters connected therewith or incidental thereto.

7. The important features of the Bill, *inter alia*, provide as under:—

(*a*) laying before both the Houses of Parliament, along with the annual budget, the Medium-term Fiscal Policy Statement, Fiscal Policy Strategy Statement and Macro-economic Framework Statement by the Central Government;

(*b*) appropriate measures by the Central Government to eliminate revenue deficit and fiscal deficit and build up adequate revenue surplus;

(*c*) elimination of revenue deficit by 31st March, 2006 and bringing down fiscal deficit to 2% of GDP in the same period.

(*d*) prohibition of direct borrowings by the Central Government from the Reserve Bank of India after three years except by way of advances to meet temporary cash needs in certain circumstances;

(*e*) greater transparency in fiscal operations and to minimization of, as far as practicable, secrecy in the preparation of the annual budget;

(*f*) quarterly review of the trends in receipts and expenditures in relation to the budget by the Finance Minister and placing the outcome of such reviews before both Houses of Parliament.

(*g*) the Central Government to cut expenditure authorizations in a proportionate manner, while protecting the "charged" expenditure, whenever there is a shortfall of revenue or excess of expenditure over specified targets.

(*h*) Finance Minister to make a statement in both Houses of Parliament explaining any deviation in meeting the obligations cast on the Central Government under this Act and the remedial measures the Central Government proposes to take.

(*i*) relaxation from deficit reduction targets to deal with unforeseen demands on the finances of the Central Government on account of national security or natural calamities of national dimension.

8. The Bill seeks to achieve the above objects.

NEW DELHI;
The 11*th December*, 2000.

YASHWANT SINHA.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 8 of the Bill confers power upon the Central Government to make rules for carrying out the provisions of the Bill. The matters in respect of which such rules may be made relate, *inter alia*, provide for the fiscal indicators to be prescribed for the purpose of sub-section (2) of section 3 and clause (*a*) of sub-section (2) of section 6; the forms of Medium-term Fiscal Policy Statement, Fiscal Policy Strategy Statement and Macro-economic Frame Work Statement referred to in sub-section (*4*) of section 3; the form of statement under sub-section (*2*) of section 6 and any other matter which is required to be, or may be, prescribed.

2. The rules made by the Central Government shall be laid, as soon as may be, after they are made, before each House of Parliament.

3. The matters in respect of which rules may be made are general matters of procedure and administrative detail and it is not practicable to provide for them in the Bill itself. The delegation of legislative power is, therefore, of a normal character.

G. C. MALHOTRA,
Secretary-General.

PRINTED BY THE MANAGER, GOVERNMENT OF INDIA PRESS (PLU), MINTO ROAD, NEW DELHI
AND PUBLISHED BY THE CONTROLLER OF PUBLICATIONS, DELHI, 2001.

MGIP(PLU)—MRND—5879GI—8-1-2001.